

DIRECT TESTIMONY

of

Harold L. Stoller
Director, Energy Division
Illinois Commerce Commission

Central Illinois Light Company, d/b/a AmerenCILCO,
Central Illinois Public Service Company, d/b/a AmerenCIPS

and

Illinois Power Company, d/b/a AmerenIP

Proposed General Increase in Electric Rates

and

Proposed General Increase in Gas Rates

Docket Nos. 07-0585 – 07-0590 (Cons.)

March 14, 2008

1 **Q. Please state your name and business address.**

2 **A.** My name is Harold L. Stoller. My business address is 527 East Capitol
3 Avenue, Springfield, Illinois, 62701.

4 **Q. By whom are you employed and in what capacity?**

5 **A.** I am employed by the Illinois Commerce Commission ("Commission") as
6 Director of the Energy Division.

7 **Q. Please state your educational background and professional**
8 **experience.**

9 **A.** I obtained a B.A. in 1966 from the University of Illinois and a J.D. in 1969
10 from the University of Illinois College of Law. I received an M.S.B.A. from
11 Boston University in 1979. I received an LL.M. in Energy and
12 Environmental Law from Tulane University in 1990.

13 From October 1969 until August 1990, I was a member of the U.S. Navy
14 JAG Corps. I joined the Commission in September 1990, serving first as
15 counsel in the General Counsel's office. I spent just over seven years in
16 the General Counsel's office, working primarily with energy utilities and
17 Federal energy matters. I was appointed as Manager (later called
18 Director) of the Energy Division in November 1997 and have remained in
19 that position since then.

20 **Q. Have you previously testified before the Commission?**

21 **A.** Yes, one time, in Docket No. 07-0566.

22 **Q.** **What is the purpose of your direct testimony in this proceeding?**

23 **A.** I will address Central Illinois Light Company (“AmerenCILCO”), Central
24 Illinois Public Service Company (“AmerenCIPS”), and Illinois Power
25 Company (“AmerenIP”) (jointly, “Ameren Illinois Utilities” or “Companies”)
26 proposed Rider QIP-Qualifying Infrastructure Plant, providing my opinion
27 about that rider and my suggestions for an alternative method for
28 addressing some of the explicit and implicit concerns that I believe are
29 raised by Ameren Illinois Utilities’ testimony about that rider.

30 **Q.** **What recommendations are you making in this testimony?**

31 **A.** I recommend that:

- 32 1. Rider QIP should not be approved based on the evidence in this
33 proceeding.
- 34 2. Electric utility distribution system improvements, variously referred
35 to in the testimony of Mr. Craig D. Nelson (AmerenCILCO Ex. 2.0E,
36 AmerenCIPS Ex. 2.0E, and AmerenIP Ex. 2.0E), should not be
37 approved when the projects have been neither appropriately
38 reviewed nor approved by the Commission.
- 39 3. If the methodology for recovering investments in infrastructure is to
40 be changed, that change should not be made in this rate case: the
41 facts and policies should be thoroughly reviewed in a focused and

42 separate proceeding. The Commission should give serious
43 consideration to initiating a proceeding to examine evolving utility
44 service quality standards, and possibly to change the provisions of
45 the Commission's Rule 410 and Rule 411, consistent with
46 modifications, if any, that need to be made to those rules regarding
47 electric distribution system investment.

48
49 **Q. What does Mr. Nelson state regarding Rider QIP in his testimony,**
50 **AmerenCILCO Ex. 2.0E, AmerenCIPS Ex. 2.0E, and AmerenIP Ex.**
51 **2.0E?**

52 **A.** Mr. Nelson contends that "significant and continued investment in
53 infrastructure can only be made, and sustained, when a fair return on and
54 a return of investment are received on a timely basis." (AmerenCILCO,
55 AmerenCIPS, and AmerenIP Ex. 2.0E pg. 28) Mr. Nelson also contends
56 that the problem of "regulatory lag" results when capital investments are
57 made between rate cases and this causes a decline in earnings and return
58 on equity. (AmerenCILCO, AmerenCIPS, and AmerenIP Ex. 2.0E pgs.
59 28-29)

60 **Q. What is your response to Mr. Nelson's testimony as you have**
61 **referred to it above?**

62 **A.** Mr. Nelson's testimony identifies the Companies' perception of their
63 inability to earn a fair return on investment in the maintenance and

modernization of utility distribution systems. While utilities earn a return of and on their investment in their distribution systems, Mr. Nelson questions whether utilities earn a sufficient return on their investment to warrant investment that will improve their system. The broader question may be whether the regulatory process effectively addresses distribution system reliability and whether changes are warranted to improve utility distribution systems. Answers to those broad policy questions would affect not only the Ameren Illinois Utilities, but also all utilities in Illinois.

Q. How does the regulatory process address distribution system reliability?

A. The Commission has reliability targets for Illinois electric utilities in 83 Ill. Adm. Code 411.140, that provides as follows:

- 4) The jurisdictional entity shall strive to provide electric service to its customers that complies with the targets listed below.
 - A) Customers whose immediate primary source of service operates at 69,000 volts or above should not have experienced:
 - i) More than three controllable interruptions in each of the last three consecutive years.
 - ii) More than nine hours of total interruption duration due to controllable interruptions in each of the last three consecutive years.
 - B) Customers whose immediate primary source of service operates at more than 15,000 volts, but less than 69,000 volts, should not have experienced:

- i) More than four controllable interruptions in each of the last three consecutive years.
- ii) More than twelve hours of total interruption duration due to controllable interruptions in each of the last three consecutive years.
- C) Customers whose immediate primary source of service operates at 15,000 volts or below should not have experienced:
 - i) More than six controllable interruptions in each of the last three consecutive years.
 - ii) More than eighteen hours of total interruption duration due to controllable interruptions in each of the last three consecutive years.
- D) Exceeding the service reliability targets is not, in and of itself, an indication of unreliable service, nor does it constitute a violation of the Act or any Commission order, rule, direction, or requirement. The Commission's assessment shall determine if the jurisdictional entity has a process in place to identify, analyze, and correct service reliability for customers who experience a number or duration of interruptions that exceeds the targets.

Q. Given that utilities already are allowed to earn a return of and on their investment, and that the Commission already has rules which provide reliability targets, what would be the purpose of a separate, focused proceeding?

A. The proceeding would provide a forum to examine evolving utility service quality standards. One possible outcome would be to determine whether and what modifications, should to be made to the rules regarding electric distribution system investment (Rule 410 and Rule 411). The proceeding

would be responsive to the Commission's statement when discussing
another utility distribution system modernization proposal, that:

... we are left with a dilemma. To ensure continued reliability, we lean towards increased system modernization, rather than less, all other things being equal. In a general sense, the application of modern technology to the utilities and networks that we regulate and upon which our economy depends makes simple common sense. But unless the proponents of the modernization initiatives provide a more compelling rationale in terms of identifying and quantifying reduced system costs and increased customer benefits, we will never be persuaded that modernization is in the best interest of the ratepayers. Thus, we are likely to have less system modernization in Illinois, rather than more, and the consumers and businesses in Illinois will be the worse for it. Docket No. 07-0242, Order pg. 162.

In the same docket, the Commission identified what it found would be appropriate information to be presented in connection with a system modernization proposal in that case:

... a detailed description and cost analysis of the proposed system modernization; an identification and evaluation of the range of technology options considered and analysis and justification of the proposed technology approach; a detailed identification and description of the functionalities of the new system, related both to system operation as well as on the customer side of the meter, as well as an identification and justification of functionalities foregone; analysis of the benefits of the system modernization, both to system operation as well as to customers; these benefits should include reductions in system costs as well as an analysis of the range and benefits of potential new products and services for customers made possible by the system modernization; an analysis of regulatory mechanisms to allow companies to both recover their costs of system modernization as well as to flow reduced system costs back to customers; and an identification and analysis of legal or regulatory barriers to the implementation of system modernization proposals. Docket No. 07-0242, Order pg. 162.

These considerations, as well as others that may be raised by Staff and participating parties in a discussion of evolving utility service quality standards, and whether

166 there was a need to develop new guidelines for the future, could be explored in the
167 proceeding I am recommending.

168 **Q. Does this conclude your prepared direct testimony?**

169 **A. Yes, it does.**